



The Effect of Corporate Social Responsibility Towards Mining Company's Performance as The Key to World Activity (An Empirical Study of Mining Company in IDX 2011-2013)

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Abstract

Title "The Effect of Corporate Social Responsibility towards Mining Company's Performance as The Key to World Activity (An Empirical Study of Mining Company in IDX 2011 – 2013)". This research analyzes the effect of exposing corporate social responsibility program towards the Total Asset Turnover and the effect of corporate social responsibility program towards the Return on Assets. The background of this study was the lack of CSR program done by mining companies due to the lack of awareness towards the importance of conducting and exposing CSR programs for the annual report. The type of the research is a casual research with 34 companies as the population and the sample was 26 mining companies registered in Indonesia Stock Exchange in the year of 2011-2013. Sampling method used was purposive sampling. Results of the analysis shows normal classical assumption test was free of heteroscedasticity and autocorrelation. Simple linear regression test with constant value on model I was -111,533 and coefficient regression variable index CSR for regression I is 275,398. The constant value of model II is -27,233 and coefficient regression variable index CSR for regression II is 50,024. T test result shows that CSR variable has a significantly positive effect towards ATO with t count = 9,032 > t table= 1,665. T test result shows that CSR variable has a significantly positive effect towards ROA with t count = 6,164 > t table= 1,665. CSR has a significant positive impact towards ATO and ROA.

Keywords: CSR, ATO, ROA, mining, company performance, effect

1. Introduction

Many big companies emerge due to technology advances in line with betterment in the economy. The demand for mining products is also getting bigger. Mine has brought change to the life of primitive into modern style. Human activity regarding development depends on mining products. Oil and natural gas are used as fuel or energy source, sand or rock is used for building. Gold, diamond, and silver are used for jewelry. Mining companies exploit bigger natural resources to fulfill the demand of their consumer industry. The nature being explored without being preserved triggers the quality of the environment which leads to disturbance towards human life. The issue upon social responsibility became popular in Indonesia since the past years. The companies are required not only to gain profit but also to focus on their social and environment responsibility. Corporate Social Responsibility is needed to preserve the harmony between companies and the surrounding environment. It has to be presented in the financial report of the company. There are several benefits gained by the company such as the interest from stake holders and people who use the financial report towards company performance to environment preservation both physically and socially done by the company. Damages and disturbances resulting from external factors

can disrupt or stop company's operation. Company image will improve in the eye of society when it can show its concern and responsibility towards the external environment.

Performance assessment becomes an important factor for a company since it is needed for financial planning. Aside from that, it is also required by the investors already investing and those who will. A company that has a good performance can give what is expected by the investors.

Corporate Social Responsibility has the potential to affect the company performance from sale and profit aspects. Total Asset Turnover is used as company financial effectiveness performance assessment. The higher the Total Asset Turnover value is due to the better sale and the lower capital use. It means the company is able to use the capital effectively to boost sale. Return on Assets is used as financial profitability performance assessment. The higher the ROA value means the net profit of the company is higher. ROA can also give effectiveness picture in using capital in company operation to gain profit [23].

Previous research has shown that Corporate Social Responsibility activity affects the company performance, such as stated in [19, 6, 3, 20] research on social responsibility towards total asset turnover and return on asset of manufacture company registered in Indonesia Stock Exchange. Result of the research, CSR has positive

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impact on ROA and Total Asset Turnover. The correlation between CSR and company performance [6]. CSR has a positive impact towards ROE but not to CAR. It has positive impact on ROA and ROE but it has negative impact on NPM [3]. Other researches has empirically proven that Corporate Social Responsibility has negative impact on financial performance as stated in a research done by [20] stating that exposing Corporate Social Responsibility (CSR) has negative impact on the Earning Response Coefficient.

Gap research has done a retest to find out the effect of CSR program towards Indonesian company performance using Total Asset Turnover and ROA as the indicator. The difference in this research is the sample used is from mining companies registered in IDX in the year 2011-2013. Using this template will enable you to prepare your paper in accordance with the instructions for authors for Scientific Journal of PPI-UKM papers with a minimal amount of manual styling and formatting.

2. Theoretical Frame and Hypothesis

Signaling Theory

Signaling theory explains that a company has the drive to give financial report to external parties, in which it presented more complete information to get better reputation when compared to other companies, in order to interest investors.

Stakeholder theory

Stakeholder theory stated that a company is not an entity only operating for itself but has to benefit its stakeholders namely the stockholder, creditor, consumer, supplier, government, society, analyst, and other parties.

Corporate Social Responsibility

The definition of Corporate Social Responsibility (CSR) by [2], Corporate Social Responsibility is a company commitment to be responsible for its impact of the operation in social, economic and environmental aspects and to preserve it to always become useful towards the society and its environment.

Company Performance

Company performance is the company ability to explain its operational activities [4]. It can also be used by entity to assess company's success in gaining profit, managing and allocating its resources. Also to know whether the achieved target has been reached or not.

Total Asset Turnover as company financial effectiveness performance assessment

Total Asset Turnover shows the ability of a company in using capital owned to produce sale [14]. The higher the value of Total Asset Turnover the better since there is an increase in sale even when the use of capital is lower.

Return on Assets as financial profitability performance assessment

Return On Assets shows the ability of a company in gaining profit from each asset used. The higher the value of ROA, the higher the net profit of the company. ROA can also show the effectiveness of capital use in operational activities done by the company to gain profit [23].

Hypothesis

The effect of Corporate Social Responsibility (CSR) towards Total Asset Turnover (ATO) CSR implementation is a form of commitment build by the company to contribute to the improvement of living quality of the society. Good relation between the company and society is expected to boost the sale. Therefore a hypothesis can be formulated as follows:

H1: Corporate Social Responsibility has a positive impact on the Total Asset Turnover (ATO)

The effect of Corporate Social Responsibility (CSR) towards Return on Asset (ROA). The better the company expose the CSR program, the better the image built in the eye of the society who is acting as a consumer. Consumers have no objection using a product since the company has a good image of showing concern towards public interest. The increasing number of the consumer using the product boosts the sale rate and results in a bigger profit. Therefore a hypothesis can be formulated as follows:

H2: Corporate Social Responsibility has a positive impact on the Return on Asset (ROA).

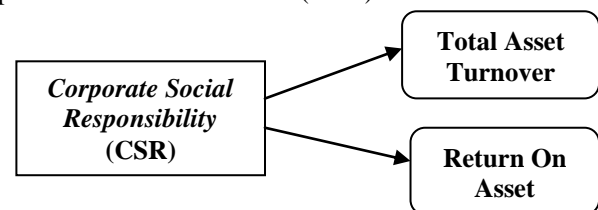


Fig. 1. Research Framework

Social responsibility for corporate interest is adjusted to multiple parties or stakeholders so there won't be any conflict of interest. One of the indicators to see the company performance is by looking at the financial ratio, such as Total Asset Turnover ratio showing the effectiveness of sale increase management and Return on Asset ratio showing company's ability to gain profit.

3. Population and Sampling Technique

The population of the research is mining companies registered in BEI in 2011, 2012, and 2013. The sampling technique was based on purposive sampling method in order to obtain representative sample meeting the criteria. The criteria of sampling were:

a. Mining companies listed in Indonesian Stock Exchange (BEI) in 2011 – 2013 supported with the financial records

b. Publishing financial records per 31 December in 2011 – 2013

c. Publishing corporate social responsibility reports in 2011 – 2013

3.1 Data Collection Method

The data used in the research were secondary data obtained from Indonesian Stock Exchange Booth in form of processed data like mining company annual report in 2011 – 2013. The data were collected by documentation method.

3.2 Operational Definition and Variable Measurement

The dependent variable of the research, profitability financial performance proxied by Return On assets (ROA) and company activity financial performance proxied by Total Assets Turnover (ATO).

Total Assets Turnover (ATO), formulated by:

$$\text{ATO} = \frac{\text{net sales} \times 100 \%}{\text{total assets average}} \quad (1)$$

Return on Assets (ROA), formulated by:

$$\text{ROA} = \frac{\text{net profit (after tax)} \times 100 \%}{\text{total assets average}} \quad (2)$$

The independent variable of Corporate Social Responsibility (CSR) effects were environment, energy, employee health and safety, other factors related to the employees, products, community involvement, and general. All of the categories were based on the regulation published by Bapepam No.VIII.G.2 about the annual report and the items adjusted to be applied in Indonesia resulted in the remaining 79 items of disclosure [17].

The items were measured by dummy variable, where each CSR item revealed then valued by 1 and 0 if not revealed, then the scores of the items were then calculated to obtain the total score of the company. The formula of CSRDI (Wilman, 2012):

$$\text{CSRDI}_j = \frac{\sum X_{ij}}{n_j} \quad (3)$$

Where :

CSRDI_j : Corporate Sosial Responsibility Disclosure Index of Company J

n_j : The number of CSR items of Company j, n_j = 78

X_{ij} : 1 if the items were revealed, 0 if the items were not revealed so 0 < CSRDI_j < 1

3.3 Data Analysis Method

The method used to analyze data, simple regression method using the technique to analyze descriptive statistical data and classic assumption test consists of normality, Heteroscedasticity and autocorrelation. The method can be formulated as:

$$\begin{aligned} Y_1 &= a + bX + e \\ Y_2 &= a + bX + e \end{aligned} \quad (4)$$

Table. 1
Regression Test Model I
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-111.533	21.579		-5.169	.000
	Index CSR	275.398	30.492	.720	9.032	.000

a. Dependent Variable: ATO

Description:

Y1 : ATO (dependent variable)

Y2 : ROA (dependent variable)

a : Constanta

b : Regression variable

X:CSR (independent variable)

e : Confounding variable

4. Results and Discussion

The preliminary samples of the research were 34 companies. The filtering process using the criteria in purposive sampling method resulted in the final samples for the research as many as 26 companies.

4.1 Descriptive Statistics

Descriptive statistics was intended to illustrate the research variables such as ATO, ROA, and CSR. The result of descriptive analysis using SPSS 19.0 is described in the following Table 2:

Table. 2
Descriptive Statistics Analysis Result

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
ATO	78	1.04	225.46	79.94	50.89
ROA	78	-14.15	46.62	7.55	11.52
Index CSR	78	.38	.96	0.70	0.13
Valid N (list wise)	78				

Source: Output SPSS 2015 attachment *Classic Assumption Test*

The data in this study are qualified for classic assumptions. The results of the normality test showed that the data are normally distributed. In Regression Model I (ATO) which has probability significance level $0,799 > \alpha$ (0,05) and the graph result of P-Plot showed that the data were scattered along the normal plot (diagonal). In Regression ModelII (ROA) which has probability significance level $0,650 > \alpha$ (0,05) and the graph result of P-Plot showed that the data were scattered along the normal plot (diagonal). Heteroscedasticity test results on Regression Model I Scatter Plot (ATO) showed that the points on scatter plot graph were scattered and did not form any specific pattern. The result of Regression Model II Scatter Plot (ROA) also showed that that the points on

scatter plot graph were scattered and did not form any specific pattern, indicating that there is no Heteroscedasticity signs. The autocorrelation test result showed that the regression models did not have any autocorrelation supported by the value of Durbin-Watson test for Regression Model I (ATO) 1,932 where $du=1,662 < dw=1,932 < 4-du=2,338$, while in Regression Model II (ROA), the value was 1,699 where $du=1,662 < dw=1,699 < 4-du=2,338$.

4.2 Hypothesis Test

Linear regression analysis in the research was used to examine the effects of CSR index to ATO and the effects of CSR index to ROA. The result of simple linear regression analysis using SPSS 19.00 is presented as:

Source: *Output SPSS 2015 attachment*

Table. 3
Regression Test Model II
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-27.233	5.743		-4.742	.000
Index CSR	50.024	8.115	.577	6.164	.000

Source: *Output SPSS 2015 attachment*

4.2.1 Dependent Variable: ROA

Based on table 4.7 dan 4.8, the regression equation can be described as follows:

Regression I: $ATO = -111,533 + 275,398 \text{ Indeks CSR} + e$

Regression II: $ROA = -27,233 + 50,024 \text{ Indeks CSR} + e$
The linear regression equation can be interpreted as:

- 1) The variable regression coefficient of CSR index in regression I is 275,398 (positive). It means that the CSR Index variable gave positive effects to ATO. The bigger CSR index leads to the higher company's ATO.
- 2) The variable regression coefficient of CSR index in regression II is 50,024 (positive). It means that the CSR Index variable gave positive effects to ROA. The bigger CSR index leads to the higher company's ROA.

4.2.2 The effects of Corporate Social Responsibility to Total Assets Turnover (ATO)

Based on table 4.7, the t test of CSR variable index resulted in the value of $t_{\text{calculated}} = 9,032$, while $t_{\text{table}} (\alpha = 0,05, dk = 78-2 = 76)$ was 1,665 with the significance level $= 0,000 < 0,05$, supporting that the variable of *Corporate Social Responsibility* (CSR) has positive and significant effects to *Total Asset Turnover* (ATO), so that hypothesis 1 is acceptable.

4.2.3 The effects of Corporate Social Responsibility terhadap Return on Assets (ROA)

Based on table 4.8, the t test of CSR variable index resulted in the value of $t_{\text{calculated}} = 6,164$, while the value of $t_{\text{table}} (\alpha = 0,05, dk = 78-2 = 76)$ was 1,665 with the significance level $= 0,000 < 0,05$. It means that the variable of *Corporate Social Responsibility* (CSR) has positive and significant effects to *Return on Asset* (ROA), so that hipotesis 2 is acceptable.

4.2.4 Conclusion and Limitation

1. Based on the hypothesis test 1, Corporate Social Responsibility (CSR) has positive and significant effects to *Total Asset Turnover* (ATO). The higher CSR Index leads to the higher ATO of the company. The result of this research is in line with the research conducted by Samodro (2014), studying the effects of corporate social responsibility to company's total asset turnover and return on asset.
2. Based on the hypothesis test 2, *Corporate Social Responsibility* (CSR) has positive and significant effects to *Return on Asset* (ROA). The higher CSR index leads to the higher company's ROA. The result of this research is in line with previous researches conducted by Samodro (2014), Lely Dahlia and Silvia Veronica Siregar (2008), concluding that *Corporate Social Responsibility* (CSR) has positive and significant effects to *Return on Asset* (ROA).
3. The following researches are expected to use more samples from different kinds of company, in addition to mining companies.

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